



THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
STATE HOUSE ■ ROOM 373
BOSTON, MA 02133

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

LESLIE A. KIRWAN
SECRETARY

TEL: (617) 727-2040
FAX: (617) 727-2779
www.mass.gov/eoaf

For Immediate Release
March 21, 2007

Contact: Joe Landolfi
(617) 727-2040
Cyndi Roy
(617) 725-4025

**Patrick-Murray Administration Takes Steps to Increase
Affordable Housing, Promote Economic Development**

*2007 Volume Cap Reservations Favor Multi-Family Housing; Major
Commitment Made to Job Creation*

BOSTON— Wednesday, March 21, 2007 – The Executive Office for Administration and Finance today announced plans for greater support of affordable housing and job creation through the use of tax-exempt private activity bonds.

The Massachusetts Educational Financing Authority (MEFA), the Massachusetts Housing Finance Agency (MassHousing), and the Massachusetts Development Finance Agency (MassDevelopment) will each have access to a share of the state's \$551,171,834 volume cap on the issuance of these bonds for the 2007 calendar year. In addition, the Administration is reserving a portion of the 2007 volume cap to finance public housing projects.

The Patrick-Murray Administration's decisions regarding the allocation of volume cap reflect changes from prior year allocations. These changes include the commitment of a greater percentage of volume cap available for affordable housing to multi-family projects, which have the benefit of leveraging federal tax credits that can subsidize additional affordable housing. The 2007 allocation also increases the amount of volume cap committed to economic development.

The 2007 volume cap reservations are as follows:

- \$200,000,000 will be reserved for MassDevelopment; \$100,000,000 is for economic development projects and \$100,000,000 is for multi-family affordable housing projects.

- \$175,000,000 will be reserved for MassHousing; \$50,000,000 of this amount is for below market-rate mortgages to income-eligible homebuyers and \$125,000,000 is for multi-family affordable housing projects.
- \$154,010,429 will be reserved for MEFA for low-cost student loans to thousands of college students and their families.
- \$22,161,405 will be reserved for capital improvements to public housing.

The Administration is also imposing the following new limitations on the use of volume cap to ensure that the resource is effectively leveraged and used:

- Prior to MassHousing or MassDevelopment allocating volume cap to finance multi-family affordable housing projects, the borrower must first receive approval from the Department of Housing and Community Development for the use of the related federal tax credits.
- For each \$1,000,000 of volume cap used by MassDevelopment for an economic development project, the project must result in the creation of at least 6 new jobs in the Commonwealth. The new jobs requirement may be waived if other significant economic or public benefits are demonstrated to result from the project (e.g., renewable energy projects).
- Beginning next year, MEFA's use of volume cap will be restricted to loans for students attending Massachusetts schools and for families who meet certain income eligibility limits.
- Previous restrictions on the use of volume cap for projects that preserve existing affordable housing have been revoked.

The 2007 volume cap reservation process also differed significantly from previous years. For the first time, the Administration invited the public to participate during the reservation process. Over 120 people attended a public hearing on February 15th at the State House; more than 25 members of the public testified at the hearing, and dozens more submitted written testimony.

"Informed by a public hearing and a thorough evaluation process, we believe that our allocation of the state's 2007 private activity bond volume cap and the restrictions we have imposed on its use will most effectively leverage this valuable resource for the benefit of the Commonwealth and its citizens," Assistant Secretary for Capital Finance Jay Gonzalez said.

Through the issuance of tax-exempt private activity bonds, independent authorities collectively provide hundreds of millions of dollars of low-cost financing each year for private projects that serve public purposes. These financings have a significant impact on the well-being of our Commonwealth and its citizens.

Federal tax law limits the total volume of tax-exempt private activity bonds that may be issued in Massachusetts each year for private entities that are not charitable organizations. The 2007 volume cap, which is based on the state's

population, is \$551,171,834, including \$4,010,429 of unused cap carried forward from last year. In comparison, the total volume cap available for Massachusetts in 2006, including amounts carried forward from prior years, was \$652,321,320.

More information about volume cap reservations, including each agency's public hearing presentation and the state's historical volume cap allocations, will be available by March 31st at the A&F website – www.mass.gov/eoaf.